



## HARDY'S CHAPEL VOLUNTEER FIRE DEPARTMENT

**Investigative Report**  
July 29, 2015

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**Justin P. Wilson, Comptroller**





**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
FINANCIAL AND COMPLIANCE INVESTIGATIONS**

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July 29, 2015

Henry Webb, Chief  
Hardy's Chapel Volunteer Fire Department  
628 Swallows Chapel Road  
Cookeville, Tennessee 38506

Chief Webb:

On May 1, 2014, the Comptroller's Office received allegations of the mismanagement of funds by the Hardy's Chapel Volunteer Fire Department (HCVFD). We conducted an investigation in coordination with the District Attorney General's Office and the Tennessee Bureau of Investigation for the period January 1, 2013, through May 31, 2014.



Since 2009, Overton County government has made an annual contribution of \$96,000 to the local Fire Chiefs Association of Overton County (FCAOC), which in turn distributes the contribution equally to the 12 volunteer fire departments within the county as provided by the FCAOC bylaws. The HCVFD received contributions from the FCAOC, federal grants, donations from citizens, collections from various fund-raising events, and insurance payments for certain emergency calls and claims.

Legislation effective June 30, 2015, requires volunteer fire departments receiving public funds to file an annual financial report with the state comptroller and the local governments from which they receive funding.

Based on our investigation, we noted the following issues:

- A cash shortage of at least \$37,496.11 existed in the HCVFD at May 31, 2014.
- Deficiencies existed in the operation of the HCVFD.

Findings and recommendations, as a result of our investigation, are presented below. These findings and recommendations have been reviewed with management to provide an

opportunity for their response. Also, these findings and recommendations have been reviewed with the district attorney general for the Thirteenth Judicial District.

On July 17, 2015, former fire chief, Terry L. Priest, was indicted by the Overton County Grand Jury on one count of theft over \$10,000.

### **INVESTIGATIVE FINDINGS**

**FINDING 1**      **A CASH SHORTAGE OF AT LEAST \$37,496.11 EXISTED IN THE HARDY'S CHAPEL VOLUNTEER FIRE DEPARTMENT AT MAY 31, 2014**

A cash shortage of at least \$37,496.11 existed in the Hardy's Chapel Volunteer Fire Department (HCVFD) at May 31, 2014. This amount could be greater because HCVFD did not maintain records of donations. Therefore, we could not determine if the HCVFD properly deposited all funds donated by individuals and organizations.

On March 30, 2015, during an interview, the fire chief advised us that he was ultimately responsible for all funds related to the HCVFD. Based on our interviews and our analysis of bank records, receipts, and other accounting records, we determined that a cash shortage of at least \$37,496.11 existed as identified in the following items.

- A. The fire chief issued eight checks from the HCVFD bank account to himself totaling \$9,721.47. The fire chief advised us that these checks were for reimbursement of personal funds he had used to purchase items needed for the volunteer fire department. However, we noted only limited documentation indicating that these funds were actually used for the fire department.
- B. The fire chief made numerous withdrawals of cash from the HCVFD bank accounts which totaled \$50,317. The fire chief advised us that these withdrawals were for the purchase of items needed for the volunteer fire department. We were able to identify receipts totaling \$38,467.36 that appear to be for HCVFD-related purchases. However, we were unable to determine how the remaining \$11,849.64 was used.
- C. In at least three instances, the fire chief did not deposit funds totaling \$15,925 into the bank from checks received from insurance proceeds and incident cost recoveries. We traced cash deposits totaling \$9,000 from these funds to the personal bank accounts of the fire chief.

Date	Checks Received	Cash Withheld	Total Deposited
01/27/2014	\$ 54,550.00	\$ (7,550.00)	\$ 47,000.00
01/30/2014	9,633.04	(8,000.00)	1,633.04
8/31/2013	375.00	(375.00)	0.00
<b>Total</b>	<b>\$ 64,558.04</b>	<b>\$ (15,925.00)</b>	<b>\$ 48,633.04</b>

During our examination, the fire chief provided us various questionable receipts as documentation of items purchased for the volunteer fire department. However, in many instances, these receipts included personal items purchased at Wal-Mart such as pet supplies, body wash, etc. Also included were several receipts for food items for which no event or HCVFD purpose was documented; therefore, we could not determine the propriety of these receipts and have questioned their validity.

The following table details the total cash shortage at May 31, 2014:

Description	Amount
Eight checks written to the fire chief from the HCVFD bank account	\$9,721.47
13 counter withdrawals from the HCVFD bank accounts	\$50,317.00
Documentation provided to support cash purchases or other personal reimbursement for purchases benefitting the HCVFD	(\$38,467.36)
One check from the Incident Response Cost Recovery Service vendor to the HCVFD, which was not deposited	\$375.00
<b>Subtotal</b>	<b>\$21,946.11</b>
Cash not deposited to the HCVFD bank accounts from two insurance checks totaling \$64,183.04	\$15,550.00
<b>Total cash shortage</b>	<b>\$37,496.11</b>

### **RECOMMENDATION**

County officials should take immediate steps to collect the cash shortage of at least \$37,496.11.

## **FINDING 2**      **DEFICIENCIES EXISTED IN THE OPERATION OF THE HARDY'S CHAPEL VOLUNTEER FIRE DEPARTMENT**

The investigative audit revealed the following internal control and compliance deficiencies in the Hardy's Chapel Volunteer Fire Department (HCVFD). These deficiencies can be attributed to a lack of management oversight and inadequate maintenance of accounting records.

- A. Duties related to the HCVFD were not segregated adequately among its members. The member responsible for maintaining records was also involved in collecting, depositing, and/or disbursing funds. Allowing one member complete control over a financial transaction increases the risk of fraud.
- B. The HCVFD did not include transactions in an official cash journal or other type of accounting system. An official cash journal or other type of accounting system should be the department's control record and should reflect all financial activity.
- C. The HCVFD did not issue receipts for collections. Therefore, we could not determine if all funds donated by Overton County, other parties, and collections from fundraisers were deposited to the HCVFD.
- D. Checks require a signature from two members: the fire chief, the department treasurer, or the department secretary. However, we noted that the department treasurer and department secretary signed some checks prior to a purchase.
- E. Some purchases were made with cash withheld from fundraiser collections. All purchases for goods and/or services should be made through the department's official bank account.

## **RECOMMENDATION**

Duties should be segregated to the extent possible using available resources. All transactions should be posted to an official cash journal or other type of accounting system. Official prenumbered receipts should be issued for all collections, and all collections should be deposited into the bank account. Checks should require two authorizing signatures and should not be signed in advance. Cash should not be withheld from fundraiser collections. All disbursements should be by official prenumbered check.

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If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson".

Justin P. Wilson  
Comptroller of the Treasury

JPW/kbh